General Information (Origin of Request)		
☐ User Requirements (URD)		
☒ Other User Functional or Technical Documentation (SYS)		
☐ Other T2S Documentation (OTD)		

Request raised by: National Bank of Belgium	Institute: NCB	Date raised: 31/12/2015
Request title: For auto-collateralisation reimbursement instruction(s), sese.032 messages sent to the credit provider should contain the pending reason code PRCY (CounterpartyInstructionOnHold)		Request ref. no: T2S 0586 SYS
Request type: Common		Urgency: Normal
1. Legal/business importance parameter: Medium		2. Market implementation efforts parameter: Low
3. Operational/Technical risk parameter: Low		4. Financial impact parameter: Medium
Requestor Category: Central Bank		Status: Withdrawn

Reason for change and expected benefits/business motivation:

In the context of reimbursement of auto-collateralisation, sese.032 messages "Hold Reverse Collateral" are sent to both the credit consumer and credit provider to notify the generation by T2S of collateral reimbursement instructions. The T2S generated collateral settlement instruction(s)[1] generated on the account of the credit consumer is created "On Hold" (reason code PREA) as specified in UDFS §3.3.8.12.3., and further described in the specifications, page 817 of the UDFS v2.1. The sese.032 notification(s) related to the counterparty instruction(s) generated on the account of the credit provider, i.e. NCB in case of Central Bank auto-collateralisation and Payment Bank in case of client-collateralisation, does not contain any information on the hold status present on the credit consumer's instruction(s). No sese.024 status advice is generated for the auto-collateralisation sese.032 messages.

In case of settlement instruction (sese.023) on hold (reason code PREA), the counterparty is informed with the reason code PRCY (CounterpartyInstructionOnHold) through the sese.024 status notification message on ISD. However, the generated auto-collateralisation instruction message (sese.032) does not convey this info to the counterparty in case of auto-collateralisation reimbursement instruction(s). All instructions should have a pending reason code for non-eligibility for settlement as from ISD, to be compliant with ISO standard and standardized T2S behaviour.

_____

Description of requested change:

For auto-collateralisation reimbursement instruction(s), sese.032 messages sent to the credit provider should contain the pending reason code PRCY (CounterpartyInstructionOnHold). This should apply to central bank auto-collateralisation as well as to client-collateralisation.

_____

Related documents:

For sese.032 messages generated in the context of reimbursement, the leg of the party is created On Hold (reason code PREA) as specified in UDFS §3.3.8.12.3.

_____

Proposed wording for the Change request:

_____

High level description of Impact:

Current T2S behaviour where the reason code PRCY is not informed creates a situation of having a valid but non-eligible instruction for settlement without providing a pending reason code, hence results in non-standard behaviour in the flow of information. The CR would solve this discrepancy and improve inter alia CB (as auto-collateralisation provider) and Payment Bank (as client-collateralisation provider) monitoring.

_____

Outcome/Decisions:

*CRG meeting of 8-9 February 2016: The CRG decided to put the Change Request on hold for Release 2.0.

---

[1] Depending on whether the model is REPO or PLEDGE, there may one or several instructions generated on the account of the credit provider/consumer

* CRG meeting on 6 September 2016: The CRG recommended to launch the preliminary assessment on the Change Request from 26 September 2016 to 17 October 2016 (batch 1).

* OMG on 05 October 2016: During a written procedure from 14 September 2016 to 06 October 2016, the Operations Managers Group did not identify any blocking operational impact of the Change Request.

* CRG meeting on 26 October 2016: The CRG took note of the T2S functionalities/modules impacted by the Change Request following the 4CB preliminary assessment and that there are synergies with the Change Request T2S-0588-SYS (Inclusion of the DCA in the auto-collateralisation messages i.e. T2S generated instructions (sese.032) and/or the corresponding settlement confirmations (sese.025)), therefore a joint implementation is favourable.

* On the 22 January 2019: This Change Request has been withdrawn by its initiator.
_____

Preliminary assessment:

- Impacted functionality/module: A2A, LCMM, SETT, LTSI

- **Findings:**
  o   Recommendation to be considered together with the CR-0588 due to potential synergies.

- No further functional, technical and risk related issues have been identified beyond the elements already described in the Change Request.